

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
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AUGUST 31, 1999

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November 18, 1999

INDEPENDENT AUDITOR'S REPORT

Gas Utility District #2
East Feliciana Parish
Clinton, Louisiana

I have audited the accompanying general purpose financial statements of

GAS UTILITY DISTRICT #2
EAST FELICIANA PARISH

a component of East Feliciana Parish Police Jury as of and for the year ended August 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

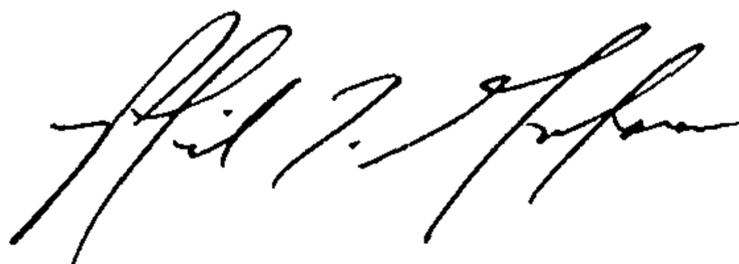
I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial statements contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Gas Utility District #2 of East Feliciana Parish as of August 31, 1999, and the results of its operations and the cash flows for the year ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated November 18, 1999, on my consideration of Gas Utility District #2 of East Feliciana Parish's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Gas Utility District #2
East Feliciana Parish
November 18, 1999
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My audit was performed for the purpose of forming an opinion on the general purpose financial statements of Gas Utility District #2 of East Feliciana Parish, taken as a whole. The accompanying schedule of expenditures for federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements Gas Utility District #2 of East Feliciana Parish. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Phil J. Johnson". The signature is written in a cursive style with a large initial "P" and "J".

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
BALANCE SHEET
AUGUST 31, 1999
(WITH COMPARATIVE DATA AS OF AUGUST 31, 1998)

ASSETS

	<u>1999</u>	<u>1998</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 60,717	\$ 73,942
Accounts receivable	35,996	55,940
Less: allowance for doubtful accounts	(4,100)	(26,500)
Prepaid insurance	8,000	7,497
Inventory	4,702	7,577
Interest receivable	<u>225</u>	<u>157</u>
	<u>105,540</u>	<u>118,613</u>
 <u>RESTRICTED ASSETS</u>		
Revenue bond sinking fund	29,141	34,543
Revenue bond and reserve fund	56,397	54,258
Capital additions and contingencies fund	255,304	236,832
Highway 63 sinking fund	8,688	9,783
1988 Gas utility revenue bond reserve fund	10,015	9,024
1988 Gas depreciation and contingency fund	11,267	10,183
Interest receivable	<u>244</u>	<u>386</u>
	<u>371,056</u>	<u>355,009</u>
 <u>UTILITY PLANT AND EQUIPMENT</u>		
Plant and equipment	1,276,917	1,273,158
Less: accumulated depreciation	<u>(818,432)</u>	<u>(775,269)</u>
	458,485	497,889
Land	<u>31,000</u>	<u>31,000</u>
	<u>489,485</u>	<u>528,889</u>
 <u>OTHER ASSETS</u>		
Deposits	<u>15</u>	<u>15</u>
 <u>Total Assets</u>	 <u>\$ 966,096</u>	 <u>\$ 1,002,526</u>

LIABILITIES AND FUND EQUITY

	<u>1999</u>	<u>1998</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 7,760	\$ 8,528
Payroll withholdings	2,458	315
Sales tax 490	444	
Accrued salaries	4,854	4,443
Customer meter deposits	<u>54,060</u>	<u>53,467</u>
	<u>69,622</u>	<u>67,197</u>
 <u>CURRENT LIABILITIES (payable from restricted assets)</u>		
Revenue bonds payable - current portion	47,000	35,000
Bonds payable - FHA	8,093	7,653
Accrued interest payable	<u>4,934</u>	<u>6,157</u>
	<u>60,027</u>	<u>48,810</u>
 <u>LONG-TERM DEBT</u>		
Revenue bonds payable - long-term	0	47,000
Long-term debt - other	<u>143,399</u>	<u>151,492</u>
	<u>143,399</u>	<u>198,492</u>
 <u>Total Liabilities</u>	 <u>273,048</u>	 <u>314,499</u>
 <u>FUND EQUITY</u>		
Contributed capital	<u>65,791</u>	<u>65,791</u>
Retained earnings:		
Reserved for bond and interest retirement	49,148	64,955
Reserved for contingency	250,638	224,847
Unreserved	<u>327,471</u>	<u>332,434</u>
	<u>627,257</u>	<u>622,236</u>
 <u>Total Fund Equity</u>	 <u>693,048</u>	 <u>688,027</u>
 <u>Total Liabilities and Fund Equity</u>	 <u>\$ 966,096</u>	 <u>\$ 1,002,526</u>

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED AUGUST 31, 1999
(WITH COMPARATIVE DATA AS OF AUGUST 31, 1998)

	<u>UNRESERVED RETAINED EARNINGS</u>	<u>RESERVED RETAINED EARNINGS FOR BOND SERVICE & CONSTRUCTION</u>	<u>TOTAL RETAINED EARNINGS</u>
Balances - August 31, 1997	338,157	303,190	641,347
Net Income (19,111)		(19,111)	
Transfer (to) from restricted assets	<u>13,388</u>	<u>(13,388)</u>	<u> </u>
Balances - August 31, 1998	<u>\$ 332,434</u>	<u>\$ 289,802</u>	<u>\$ 622,236</u>
Net Income (Loss)	5,021		5,021
Transfer (to) from restricted assets	<u>(9,984)</u>	<u>9,984</u>	<u> </u>
Balances - August 31, 1999	<u>\$ 327,471</u>	<u>\$ 299,786</u>	<u>\$ 627,257</u>

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
STATEMENT OF REVENUES AND EXPENSES
PERCENT OF TOTAL OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 1999

(WITH COMPARATIVE DATA FOR THE YEAR ENDED AUGUST 31, 1998)

	<u>AUGUST 31,</u> <u>1999</u> <u>AMOUNT</u>	<u>% OF</u> <u>TOTAL</u> <u>OPERATING</u> <u>REVENUE</u>	<u>AUGUST 31,</u> <u>1998</u> <u>AMOUNT</u>	<u>% OF</u> <u>TOTAL</u> <u>OPERATING</u> <u>REVENUE</u>
<u>OPERATING REVENUES</u>				
Gas sales	\$ 367,961	98.4	\$ 405,380	98.5
Service charges	845	.2	340	.1
Penalties	<u>5,526</u>	<u>1.4</u>	<u>5,943</u>	<u>1.4</u>
	<u>374,332</u>	<u>100.0</u>	<u>411,663</u>	<u>100.0</u>
<u>COST OF REVENUES</u>				
Gas purchased	<u>136,239</u>	<u>36.4</u>	<u>193,866</u>	<u>47.1</u>
<u>GROSS PROFIT</u>	<u>238,093</u>	<u>63.6</u>	<u>217,797</u>	<u>52.9</u>
<u>OPERATING EXPENSES</u>				
Billing expense	3,271	.9	2,115	.5
Board of Director fees	7,950	2.1	8,400	2.0
Collection fees	1,674	.5	1,263	.3
Customer interest	535	.1	639	.2
Depreciation	43,164	11.5	41,976	10.2
Insurance	24,692	6.6	23,633	5.7
Legal and professional fees	4,875	1.3	9,154	2.2
Miscellaneous	147	.1	2,151	.5
Office supplies	4,979	1.3	4,914	1.2
Other taxes	1,554	.4	1,554	.4
Payroll taxes	7,019	1.6	6,843	1.7
Penalties	404	.1	692	.2
Rent	0	.0	800	.2
Repairs and maintenance	26,732	7.2	32,197	7.9
Retirement Plan	2,861	.8	2,555	.6
Salaries	90,473	24.4	83,360	20.2
Telephone	4,965	1.3	2,626	.6
Travel	369	.1	445	.1
Uniforms	3,455	.9	2,576	.6
Utilities	2,185	.6	1,985	.5
Vehicles	<u>7,464</u>	<u>2.0</u>	<u>8,100</u>	<u>2.0</u>
	<u>238,768</u>	<u>63.8</u>	<u>237,978</u>	<u>57.8</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
STATEMENT OF REVENUES AND EXPENSES
PERCENT OF TOTAL OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 1999
(WITH COMPARATIVE DATA FOR THE YEAR ENDED AUGUST 31, 1998)
(Concluded)

	<u>AUGUST 31,</u> <u>1999</u> <u>AMOUNT</u>	<u>% OF</u> <u>TOTAL</u> <u>OPERATING</u> <u>REVENUE</u>	<u>AUGUST 31,</u> <u>1998</u> <u>AMOUNT</u>	<u>% OF</u> <u>TOTAL</u> <u>OPERATING</u> <u>REVENUE</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(675)</u>	<u>(.2)</u>	<u>(20,181)</u>	<u>(4.9)</u>
<u>NONOPERATING REVENUES</u>				
<u>(EXPENSES)</u>				
Interest income	13,907	3.7	16,847	4.1
Miscellaneous	4,642	1.2	636	.2
Interest expense	(12,853)	(3.4)	(15,613)	(3.8)
Bad debts	<u>0</u>	<u>(.0)</u>	<u>(800)</u>	<u>(.2)</u>
	<u>5,696</u>	<u>1.5</u>	<u>1,070</u>	<u>.3</u>
<u>NET INCOME (LOSS)</u>	<u>\$ 5,021</u>	<u>1.3</u>	<u>\$ (19,111)</u>	<u>(4.6)</u>

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 1999
(WITH COMPARATIVE DATA FOR THE YEAR ENDED AUGUST 31, 1998)

	<u>1999</u>	<u>1998</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income (loss)	\$ 5,021	\$ (19,111)
Noncash items included in net income		
Depreciation	43,164	41,976
Provision for bad debts	0	800
Net (increase) decrease in:		
Accounts receivable	(2,456)	1,510
Prepaid insurance	(503)	(595)
Inventory	2,875	0
Interest receivable	(68)	1,969
Net increase (decrease) in:		
Accounts payable	(768)	5,018
Payroll withholdings	2,143	(1,003)
Sales tax	46	(50)
Accrued salaries	411	486
Customer meter deposits	593	4,802
Accrued interest payable	<u>(1,223)</u>	<u>(1,390)</u>
<u>NET CASH PROVIDED (USED) BY</u> <u>OPERATING ACTIVITIES</u>	<u>49,235</u>	<u>34,412</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets	<u>(3,760)</u>	<u>(146,003)</u>
<u>NET CASH PROVIDED (USED) BY</u> <u>INVESTING ACTIVITIES</u>	<u>(3,760)</u>	<u>(146,003)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase in assets restricted for debt service	(16,047)	(2,338)
Payment of revenue bonds	(35,000)	(42,000)
Payment of long-term debt	<u>(7,653)</u>	<u>(7,237)</u>
<u>NET CASH PROVIDED (USED) BY</u> <u>FINANCING ACTIVITIES</u>	<u>(58,700)</u>	<u>(51,575)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	(13,225)	(163,166)
<u>UNRESTRICTED CASH AT BEGINNING OF YEAR</u>	<u>73,942</u>	<u>237,108</u>
<u>UNRESTRICTED CASH AT END OF YEAR</u>	<u>60,717</u>	<u>73,942</u>
<u>SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION</u>		
Cash paid during the period for interest	<u>\$ 12,853</u>	<u>\$ 15,613</u>

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1999

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This fund is a proprietary fund of the East Feliciana Parish Police Jury. A proprietary fund, also known as enterprise fund, is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

A. Basis of accounting

The records of Gas District #2 are maintained on an accrual basis of accounting. This method recognizes revenues when they are earned, and expenses when they are incurred. As a result, the financial statements are in conformity with generally accepted accounting principles.

B. Accounts receivable - Customers

The District's billing cycle may extend into the subsequent year. If that should be the case, accounts receivable at August 31, 1999 has been adjusted to allow for a year end cut-off date.

Provision for uncollectible accounts receivable represents 100% of accounts receivable due from customers whose services have been discontinued at year end. Receivables over 30 days old for active accounts were \$1,888 and \$2,481 as of August 31, 1999 and 1998, respectively. Receivables over 30 days old for inactive accounts were \$3,978 for the year ended August 31, 1999 and \$26,413 for the year ended August 31, 1998.

C. Taxes

The Gas Utility District is exempt from paying federal and state income tax. All local, state and federal payroll taxes are paid current.

D. Deposited funds

All funds collected by the Gas Utility District are deposited into institutions insured by the Federal Government.

August 31, 1999 cash deposits were adequately collateralized by the depository institution as required by state statutes.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1999

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Reporting entity

The accompanying financial statements include only the accounts and transactions of Gas Utility District #2 of East Feliciana Parish. The Gas Utility District is owned and operated by the East Feliciana Parish Police Jury which is the governing authority of East Feliciana Parish, Louisiana. The governing authority appoints members of the Gas District's Board of Directors. The Board exercises all administrative functions with respect to the operation and management of the Gas District.

F. Inventory

Inventory is determined utilizing the lower of cost or market based on the average cost valuation method. Physical inventory is conducted once a year. Inventory is primarily meters, pipes, etc.

G. Plant and equipment

Plant and equipment are stated at cost and do not purport to represent replacement or realizable values. The cost of depreciable property, plant and equipment is charged to earnings over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expenses as incurred; expenditures for renewals and betterments are generally capitalized. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in revenue. Depreciation of all depreciable property, plant and equipment is computed using the straight-line method over the following lives:

<u>ASSET</u>	<u>ESTIMATED USEFUL LIVES</u>	<u>AUGUST 31, 1999</u>	
		<u>COST</u>	<u>NET</u>
Gas System	5-40 years	\$1,051,935	\$ 320,329
Furniture & equipment	3-8 years	36,371	14,278
Vehicles	3-5 years	75,145	15,333
Building & improvements	10-40 years	113,466	108,545
Land		<u>31,000</u>	<u>31,000</u>
		<u>\$1,307,917</u>	<u>\$ 489,485</u>

Plant and equipment included \$63,020 of fully depreciated assets as of August 31, 1999.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1999

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Cash and Cash Equivalents

Under state law, Gas Utility District # 2 of East Feliciana Parish may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes or certificates, and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At August 31, 1999, the District carrying balances in unrestricted cash and cash equivalents are as follows:

Petty cash	\$ 41
Demand deposits	<u>60,676</u>
Total	<u>60,717</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance should equal the amount on deposit with the fiscal agent. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance. The market value of pledged securities at year end was \$500,000 (FNMA Note) and \$55,253 (FNMA ARM Pool).

Bank account balances at August 31, 1999 are as follows:

Bank balances	\$ 431,488
Federal deposit insurance	<u>195,315</u>
Balance uninsured	<u>\$ 236,173</u>

Bank balance which is collateralized with securities held by the pledging financial institution's agent in the Gas District's name	<u>\$ 555,253</u>
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For the purpose of the Statement of Cash Flows, cash equivalents are considered to be highly liquid, nonrestricted investments with maturities of three months or less.

Unrestricted cash consists of the following:

Checking, interest bearing	\$ 44,781
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GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1999

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Checking, non-interest bearing	1,471
Certificates of deposit	<u>14,424</u>
	<u>60,676</u>
Restricted cash consists of the following:	
Revenue bond sinking fund, savings	29,141
Revenue bond reserve fund, savings	56,397
Capital additions & contingencies, savings	44,791
Capital additions & contingencies, Certificates of deposit	210,513
Highway 63 sinking fund, savings	8,688
1988 Gas utility revenue bond reserve fund, savings	10,015
1988 Gas depreciation & contingency fund, savings	<u>11,267</u>
	<u>370,812</u>
Total	<u>\$ 431,488</u>

I. Comparative Data

Comparative data for the prior period has been presented in the accompanying financial statements to provide an understanding of the changes in the District's financial position and operations.

NOTE #2: PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment at August 31, 1999:

	<u>8/31/98</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>8/31/99</u>
Land	\$ 31,000			\$ 31,000
Gas system	1,051,935			1,051,935
Equipment	32,612	\$ 3,759		36,371
Building	113,466			113,466
Vehicles	75,145			75,145
	<u>\$ 1,304,158</u>	<u>\$ 3,759</u>	<u>\$ 0</u>	<u>\$ 1,307,917</u>

NOTE #3: RESTRICTED ASSETS

The Revenue Bond Resolution, Section 8, adopted the 29th day of January 1970 on outstanding Gas

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1999

NOTE #3: RESTRICTED ASSET (CONTINUED)

Utility Revenue Bonds dated March 1, 1970, provides for all income and revenue (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Utility System to be pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special accounts: Revenue Bond Sinking Account and Revenue Bond Reserve Account.

- A. Gas System Account entire revenue of the system shall be deposited as collected into an account known as the Gas System Account. Said account shall be maintained and administered for the purpose of the payment of all reasonable and necessary expenses for administration, operations, and maintenance of the System.
- B. Revenue Bond Sinking Account The establishment and maintenance of a Revenue Bond Sinking Account sufficient in amount to pay promptly and fully the principle and the interest on the bonds is herein authorized. The funding of this account will be accomplished by transferring monthly in advance on or before the 20th of each month, of each year, a sum equal to one-sixth (1/6) of the interest falling due on the next interest payment date, and a sum equal to one twelfth (1/12) of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. As of August 31, 1999, the Gas Utility District has complied with the Sinking Fund requirements.
- C. Revenue Bond Reserve Account The establishment and maintenance of a Revenue Bond Reserve Account by depositing simultaneously with the bond proceeds and thereafter by transferring from the Gas System Account monthly in advance on or before the 20th of each month of each year, a sum at least equal to 20% of the amount required to be paid into the aforesaid Revenue Bond Sinking Account. The payments into the Revenue Bond Reserve Account are to continue until such time as there has been accumulated therein the sum of \$45,000, the money in said Revenue Bond Reserve Account to be retained solely for the purpose of paying the principal of and the interest on bonds payable from the aforesaid Revenue Bond Sinking Account as to which there would otherwise be default. As of August 31, 1999, the Revenue Bond Reserve Account is in compliance with the above requirements.
- D. Capital Additions and Contingencies Account The establishment and maintenance of a Capital Additions and Contingencies Account to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System by transferring from said Gas System Account monthly on or before the 20th day of each year, a sum at least equal to 5% of the gross revenues of the System for the preceding month, provided that such sum is available after provisions made for the funds required under paragraphs listed above. The payments into said Account shall continue as long as any of the bonds herein authorized by the resolution are outstanding. The money in said Capital Additions and Contingencies

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1999

NOTE #3: RESTRICTED ASSETS (CONTINUED)

Account shall also be used to pay the principal of and the interest on the bonds herein authorized, for the payment of which there is not sufficient money in the Revenue Bond Sinking Account or Revenue Bond Reserve Account, but the money in said account shall never be used for the making of replacements to the system if such use of said money will leave in said Capital Additions and Contingencies Account for the making of emergency repairs or replacements less than the sum of \$2,000. As of August 31, 1999, the Capital Additions and Contingencies Account is in compliance with the Resolution. Any money in excess of \$2,000 remaining in said Gas System Account at the close of each fiscal year after making the above required payments shall be deposited in the Revenue Bond Reserve Account until there is on deposit the maximum amount required after which time said money may be used by the District for the purpose of retirement bonds in advance of their maturities. As of August 31, 1999, the maximum amount required (\$45,000) is on deposit in the Revenue Bond Reserve Account.

On February 8, 1988 the District adopted a second Revenue Bond Resolution on outstanding Gas Utility District Revenue Bonds dated April 7, 1988, for the purpose of financing improvements and extensions to the gas utility system of the District. The resolution provides for all income and revenues derived by the District from the operation of the system, after giving priority to payment of reasonable and necessary expenses of operating and maintaining the system and maintenance of the Revenue Bond Sinking Account, Revenue Bond Reserve Account, and Capital Additions and Contingency Account, to be pledged and dedicated to the retirement of said bonds dated April 7, 1988, and are to be set aside in the following special accounts:

- A. 1988 Gas Utility Revenue Bond and Interest Sinking Account The establishment and maintenance of a 1988 Gas Utility Revenue Bond and Interest Sinking Account sufficient in amount to pay promptly and fully the principal and interest on the bonds herein authorized. The funding of this account will be accomplished by transferring from the Gas System Account monthly in advance on or before the 20th day of each month of each year a sum equal to one-twelfth (1/12) of the total amount of principal and interest falling due on the next principal and interest payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. As of August 31, 1999, the Gas Utility District has complied with the Sinking Fund requirements.
- B. 1988 Gas Utility Revenue Bond Reserve Account The establishment and maintenance of a 1988 Gas Utility Revenue Bond Reserve Account by transferring from the Gas System Account monthly in advance on or before the 20th day of each month of each year, commencing with the month following completion of and acceptance of the improvements and extensions financed with the proceeds of the bonds, a sum at least equal to five percent (5%) of the amount to be paid into the 1988 Gas Utility Revenue Bond and Interest Sinking

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1999

NOTE #3: RESTRICTED ASSETS (CONTINUED)

Account. The payments into the 1988 Gas Utility Revenue Bond Reserve Account are to continue until such time as there has been accumulated therein a sum equal to the highest combined principal and interest falling due in any year on the bonds, the money to be retained solely for the purpose of paying the principal of and interest on bonds payable from the aforesaid 1988 Gas Utility Revenue Bond and Interest Sinking Account as to which there would otherwise be default. As of August 31, 1999, the 1988 Gas Utility Revenue Bond Reserve Account is in compliance with the above requirements.

- C. 1988 Gas Depreciation and Contingency Account The establishment and maintenance of a 1988 Gas Depreciation and Contingency Account to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System by transferring from the Gas System Account monthly in advance on or before the 20th day of each month of each year, commencing with the month following completion of and acceptance of the improvements and extensions financed with the proceeds of the bonds, the sum of \$76 per month. The money in the 1988 Gas Depreciation and Contingency Account shall also be used to pay the principal of and the interest on any bond for the payment of which there is not sufficient money in the 1988 Gas Utility Revenue Bond and Interest Sinking Account or the 1988 Gas Utility Revenue Reserve Account, but if so used such money shall be replaced as soon as possible out of the earnings of the System after making the required payments into the respective accounts herein above set out. As of August 31, 1999, the 1988 Gas Depreciation and Contingency Account is in compliance with the above requirements.

NOTE #4: VACATION AND SICK LEAVE

The Gas District employees are paid for vacation time used. They may carry up to one week over to the next year. Employees may accrue up to ninety days of unused sick leave. Unused sick leave is not paid upon retirement or termination.

Accrued vacation in the amount of \$4,854 has been reflected as part of accrued salaries in current liabilities. Any balance in accrued salaries is amounts earned in August but not paid until September due to the payroll cut off date.

NOTE #5: BONDS PAYABLE

The following is a summary of the Gas Utility Revenue Bond transactions of the Gas Utility District #2 of East Feliciana Parish, for the year ended August 31, 1999:

Revenue bonds payable, beginning of year	\$ 82,000
Revenue bonds retired, during the year	<u>(35,000)</u>
Revenue bonds payable, end of year	<u>\$ 47,000</u>

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1999

NOTE #5: BONDS PAYABLE (CONTINUED)

Bonds payable are comprised of the following individual issue:

\$415,000 - Gas Utility Revenue Bonds dated March 1, 1970; due in annual installments of various amounts through March 1, 2000; interest at 6%, payable semi-annually.

The annual requirements to amortize all bonds outstanding as of August 31, 1999, including interest payments of \$2,820 are as follows:

<u>YEAR ENDING</u> <u>AUGUST 31,</u>	<u>ANNUAL</u> <u>REQUIREMENTS</u>
2000	<u>49,820</u>
TOTAL:	<u>\$ 49,820</u>

NOTE #6: LONG-TERM DEBT

As of August 31, 1999, Long-term Debt - Other consists of the following:

U. S. Department of Agriculture - Farmer's Home Administration	\$ 151,492
\$16,803.20 due annually including interest at 5.75%	
Less amounts due within one year	<u>(8,093)</u>
	<u>\$ 143,399</u>

Following are maturities of bonds payable-FHA for each of the next five years:

<u>YEAR ENDED</u>	<u>PRINCIPAL</u> <u>MATURITY</u>	<u>INTEREST</u> <u>MATURITY</u>	<u>TOTAL</u> <u>DEBT SERVICE</u>
2000	\$ 8,093	\$ 8,711	\$ 16,804
2001	8,559	8,245	16,804
2002	9,051	7,753	16,804
2003	9,571	7,233	16,804
2004	10,121	6,683	16,804
Beyond 5 years	<u>106,097</u>	<u>29,505</u>	<u>135,602</u>
	<u>\$151,492</u>	<u>\$ 68,130</u>	<u>\$219,622</u>

NOTE #7: PENSION PLAN

The District established a deferred compensation plan created in accordance with the Internal Revenue Code Section 457(b) for employees who meet the eligibility requirements set forth in the

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1999

NOTE #7: PENSION PLAN (CONTINUED)

plan. Employer contributions are determined as a percent of compensation paid each year to eligible participants. The employer contributions for 1999 were \$2,861. The plan is administered by independent plan administrators through administrative service agreements.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred amount for each participant.

NOTE #8: COMPENSATION PAID TO BOARD MEMBERS

<u>Board Member</u>	<u>Meetings Attended</u>	<u>Amount Paid</u>	<u>Term Expires</u>
Minnie Douglas	24	\$1,800	January, 2000
Eileen Siebert	20	1,500	January, 2004
Frank Milligan	23	1,725	January, 2002
John Strain	18	1,350	January, 2001
Maurice Whitcomb	21	<u>1,575</u>	January, 2003
		<u>\$7,950</u>	

NOTE #9: YEAR 2000 ISSUE

The year 2000 Issue is the result of shortcomings in many electronic processing systems and other electronic equipment that may adversely affect the District's operations as early as year 1999. Gas Utility District #2 of East Feliciana Parish has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting the District's operations. Based on this inventory, the District is in the remediation stage in that hardware and software have been updated during the year and are believed to be year 2000 compliant for financial reporting systems.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

PHIL T. GRAHAM
CERTIFIED PUBLIC ACCOUNTANT

7732 GOODWOOD BOULEVARD, SUITE F ♦ BATON ROUGE, LOUISIANA 70806
TELEPHONE: 225/928-4865 ♦ FAX: 225/928-4866

November 18, 1999

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

Gas Utility District #2
East Feliciana Parish
Clinton, LA 70722

My report on my audit of the general purpose financial statements of

GAS UTILITY DISTRICT #2
EAST FELICIANA PARISH

for the year ended August 31, 1999, appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited," on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



SUPPLEMENTARY INFORMATION

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
STATISTICAL DATA
FOR THE YEAR ENDED AUGUST 31, 1999

<u>MONTH</u>	<u>NUMBER OF CUSTOMERS</u>	<u>GAS SALES CUBIC FEET OF GAS (MCF)</u>
September	934	1661.3
October	938	2384.0
November	959	3728.6
December	953	8477.6
January	959	6719.1
February	958	6009.3
March	955	4003.5
April	954	2682.2
May	949	1998.6
June	943	1813.1
July	940	1497.6
August	<u>936</u>	<u>1553.5</u>
Average number of customers	<u>948</u>	
Total cubic feet of gas		<u>42,528.4</u>

See Auditor's report on supplementary information.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
SCHEDULE OF INSURANCE IN FORCE
AUGUST 31, 1999
(Unaudited)

<u>POLICY NUMBER</u>	<u>EXPIRES</u>	<u>COMPANY</u>
CFA 83560008	06-23-00	Trinity Universal Insurance
CA 8366910	02-18-00	Trinity Universal Insurance
IM 8356007	07-27-00	Trinity Universal Insurance
17212	04-15-00	LA Worker's Compensation Corp.
18201858	03-22-00	Western Surety Company
GL0067947200	06-01-00	Ranger Insurance Company
IMA 8356009	04-25-00	Trinity Universal Insurance
486-39-47	09-23-99	National Union Fire Insurance Company of Pittsburgh, PA

See Auditor's report on supplementary information.

<u>COVERAGE</u>	<u>AMOUNT</u>
Business Personal Property	\$12,000
Automobile - bodily injury each accident	\$300,000
Uninsured motorist each accident	\$20,000
Contractor's equipment	\$27,500
Workman's compensation	Statutory
Fidelity Bond - President	\$100,000
Fidelity Bond - Secretary	\$100,000
Fidelity Bond - Commissioners (each)	\$20,000
Fidelity Bond - Secretary/Bookkeeper	\$10,000
Fidelity Bond - System Operator	\$10,000
Commercial General Liability	
General aggregate limit	\$1,000,000
Products aggregate limit	\$1,000,000
Each occurrence limit	\$1,000,000
Personal & advertising injury limit	\$1,000,000
Medical expense limit, any one person	\$5,000
Fire damage limit, any one fire	\$50,000
Computer Equipment	
General aggregate limit	\$2,666
Public Officials and Employees Liability Insurance	
General aggregate limit	\$1,000,000
Each wrongful act	\$1,000,000
Deductible each wrongful act	\$5,000

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
COMPARATIVE DATA
AUGUST 31, 1999
(UNAUDITED)

SUMMARY STATEMENT OF REVENUES

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Operating Revenues	\$ 374,332	\$ 411,663	\$ 407,891	\$ 453,701
Cost of Revenues	<u>136,239</u>	<u>193,866</u>	<u>203,728</u>	<u>211,056</u>
Gross Profit	<u>238,093</u>	<u>217,797</u>	<u>204,163</u>	<u>242,645</u>
Operating Expenses	195,604	196,002	166,384	167,777
Depreciation	<u>43,164</u>	<u>41,976</u>	<u>40,284</u>	<u>38,312</u>
Operating Income (Loss)	<u>(675)</u>	<u>(20,181)</u>	<u>(2,505)</u>	<u>36,556</u>
Nonoperating Revenues	18,549	17,483	22,057	23,798
Nonoperating Expenses	<u>(12,853)</u>	<u>(16,413)</u>	<u>(18,227)</u>	<u>(21,750)</u>
NET INCOME (LOSS)	<u>5,021</u>	<u>(19,111)</u>	<u>1,325</u>	<u>38,604</u>
 <u>OTHER DATA</u>				
Property, plant and Equipment	<u>1,307,917</u>	<u>1,304,158</u>	<u>1,158,155</u>	<u>1,155,675</u>
Net Working Capital	<u>35,918</u>	<u>51,416</u>	<u>227,519</u>	<u>268,891</u>
Total Assets	<u>966,096</u>	<u>1,002,526</u>	<u>1,063,011</u>	<u>1,115,424</u>
Bonds and Other Long-Term Liabilities	<u>198,492</u>	<u>241,145</u>	<u>290,382</u>	<u>337,750</u>
Total Equity	<u>693,048</u>	<u>688,027</u>	<u>707,138</u>	<u>705,813</u>
Average Number of Customers	948	931	920	913
Total Cubic Feet of Gas (MCF)	42,528	52,347	47,222	55,824
Number of customers:				
Residential	927	916	901	
Commercial	9	9	7	
3/4" Meters	3	2	2	

See Auditor's report on supplementary information.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
GAS LOSS SCHEDULE
AUGUST 31, 1999

<u>MONTH</u>	<u>PRICE PER MCF</u>	<u>GAS PURCH. MCF</u>	<u>GAS SOLD MCF</u>	<u>GAS (GAIN) LOSS MCF</u>	<u>% (GAIN) LOSS MCF</u>	<u>DOLLAR (GAIN) LOSS</u>	<u>LOSS ACCOUNTED FOR MCF</u>	<u>DOLLAR LOSS ACCOUNTED FOR</u>
SEPT	3.0015	1,758	1,661	97	5.50	290.25	30	\$ 90.04
OCT	2.9410	2,712	2,384	328	12.09	964.65	160	470.56
NOV	3.3143	3,975	3,729	246	6.19	816.64	105	348.00
DEC	2.8200	7,994	8,478	(484)	(6.05)	(1,363.75)	0	0.00
JAN	2.7403	7,981	6,719	1,262	15.81	3,457.98	0	0.00
FEB	3.8501	5,817	6,009	(192)	(3.31)	(740.37)	0	0.00
MAR	2.8592	5,748	4,004	1744	30.35	4,987.87	851	2,433.17
APR	2.8277	2,498	2,682	(184)	(7.37)	(520.86)	0	0.00
MAY	2.4814	2,005	1,999	6	.32	15.88	0	0.00
JUNE	2.6821	1,672	1,813	(141)	(8.44)	(378.44)	0	0.00
JULY	2.8044	1,604	1,498	106	6.63	298.39	0	0.00
AUG	2.8984	<u>1,552</u>	<u>1,554</u>	<u>(2)</u>	<u>(.15)</u>	<u>(4.35)</u>	<u>0</u>	<u>0.00</u>
TOTAL		<u>45,316</u>	<u>42,530</u>	<u>2,786</u>	<u>6.15</u>	<u>\$7,823.89</u>	<u>1,146</u>	<u>\$3,341.77</u>

See Auditor's report on supplementary information.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
GAS LOSS SCHEDULE - LOSS BY YEARS
AUGUST 31, 1999

<u>YEAR</u>	<u>GAS PURCH. MCF</u>	<u>GAS SOLD MCF</u>	<u>GAS LOSS MCF</u>	<u>PERCENT LOSS MCF</u>	<u>DOLLAR LOSS</u>	<u>UNACCOUNTED LOSS MCF</u>	<u>ACCOUNTED LOSS MCF</u>
8/82	75,510	64,205	11,305	14.97	45,522	11,305	
8/83	69,645	61,295	8,350	11.99	37,020	8,350	
8/84	73,919	61,996	11,923	16.13	53,934	11,923	
8/85	61,051	52,540	8,961	14.57	35,274	8,961	
8/86	54,560	47,437	7,123	13.06	24,202	7,123	
8/87	55,161	47,756	7,405	13.42	21,740	3,081	4,324
8/88	54,838	49,512	5,326	12.39	15,185	3,265	2,061
8/89	49,842	46,416	3,426	6.87	11,678	1,616	1,810
8/90	51,676	46,422	5,254	10.17	18,965	3,589	1,665
8/91	45,713	45,075	638	1.40	2,292	638	
8/92	50,058	48,759	1,299	2.59	3,626	1,299	
8/93	50,938	49,980	958	1.88	2,640	958	
8/94	52,447	51,987	460	.88	1,853	460	
8/95	48,057	47,439	618	1.28	1,568	303	315
8/96	57,000	55,825	1,175	2.06	2,159	1,175	
8/97	52,899	47,223	5,676	10.73	17,666	5,676	
8/98	55,164	52,348	2,816	5.10	9,288	2,816	
8/99	45,316	42,530	2,786	6.15	7,823	1,640	1,146

See Auditor's report on supplementary information.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
BUDGET COMPARISON
FOR THE YEAR ENDED AUGUST 31, 1999

	<u>1999</u> <u>ACTUAL</u>	<u>1999</u> <u>BUDGET</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<u>OPERATING REVENUES</u>			
Gas sales	\$ 367,961	\$ 464,916	\$ (96,955)
Service charges	845	424	421
Penalties	<u>5,526</u>	<u>6,890</u>	<u>(1,364)</u>
Total Operating Revenues	<u>374,332</u>	<u>472,230</u>	<u>(97,898)</u>
<u>COST OF REVENUES</u>			
Gas purchases	<u>136,239</u>	<u>233,200</u>	<u>96,961</u>
<u>GROSS PROFIT</u>	<u>238,093</u>	<u>239,030</u>	<u>(937)</u>
<u>OPERATING EXPENSES</u>			
Billing expense	3,271	2,226	(1,045)
Board of Director fees	7,950	9,646	1,696
Collection fees	1,674	1,272	(402)
Customer interest	535	795	260
Depreciation	43,164	42,400	(764)
Insurance	24,692	25,440	748
Legal and professional fees	4,875	10,600	5,725
Miscellaneous	147	5,830	5,683
Office supplies	4,979	3,180	(1,799)
Other taxes	1,554	212	(1,342)
Payroll taxes	7,019	6,890	(129)
Penalties	404	530	126
Repairs and maintenance	26,732	26,500	(232)
Retirement plan	2,861	2,756	(105)
Salaries	90,473	79,500	(10,973)
Telephone	4,965	1,272	(3,693)
Travel	369	212	(157)
Uniforms	3,455	1,908	(1,547)
Utilities	2,185	636	(1,549)
Vehicles	<u>7,464</u>	<u>12,720</u>	<u>5,256</u>
	<u>238,768</u>	<u>234,525</u>	<u>(4,243)</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(675)</u>	<u>4,505</u>	<u>(5,180)</u>
<u>NON-OPERATING REVENUES AND (EXPENSES)</u>			
Interest income	13,907	27,560	(13,653)
Miscellaneous	4,642	265	4,377
Interest expense	(12,853)	(26,500)	13,647
Bad debt expense	<u>0</u>	<u>(1,272)</u>	<u>1,272</u>
Total Nonoperating Revenues	<u>5,696</u>	<u>53</u>	<u>5,643</u>
<u>NET INCOME (LOSS)</u>	<u>\$ 5,021</u>	<u>\$ 4,558</u>	<u>\$ 463</u>

See Auditor's report on supplementary information.

GAS UTILITY DISTRICT #2
EAST FELICIANA PARISH
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
YEAR ENDED AUGUST 31, 1999

<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>TOTAL EXPENDITURE</u>
U. S. Department of Agriculture Community Facilities Loans*	10.423	\$ 159,145

* This represents loan guarantees. There were no loan amounts received during the year nor were there any expenditures for this program during the year.

See Auditor's report on supplementary information.

PHIL T. GRAHAM

CERTIFIED PUBLIC ACCOUNTANT

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November 18, 1999

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Gas Utility District #2
East Feliciana Parish
Clinton, Louisiana 70722

I have audited the general purpose financial statements of

GAS UTILITY DISTRICT #2
EAST FELICIANA PARISH

as of and for the year ended August 31, 1999, and have issued my report thereon dated November 18, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gas Utility District #2 of East Feliciana Parish's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Gas Utility District #2 of East Feliciana Parish's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in my judgement, could adversely affect Gas Utility District #2 of East Feliciana Parish's ability to

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONCLUDED)

record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in section II of the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the East Feliciana Parish Police Jury, the Louisiana Legislative Auditor's office and the District's federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties..

A handwritten signature in black ink, appearing to read "Phil J. Thomas". The signature is written in a cursive style with a large initial "P" and "T".

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 1999

I have audited the financial statements of Gas Utility District #2 of East Feliciana Parish as of and for the year ended August 31, 1999, and have issued my report thereon dated November 18, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of August 31, 1999 resulted in an unqualified opinion.

SECTION I: SUMMARY OF AUDIT REPORTS

a. Report on Internal Control and Compliance Material to the Financial Statements

1. There were no material weaknesses reported.
2. Reportable conditions are described in section II.
3. No instances of noncompliance material to the financial statements of Gas Utility District #2 of East Feliciana Parish were disclosed during the audit.

b. FEDERAL AWARDS

1. The federal program is listed in the schedule of federal financial assistance on page 27. There were no major programs. There were no material weaknesses or reportable conditions relating to internal control for the federal program.

SECTION II: FINANCIAL STATEMENT FINDINGS

A. REPORTABLE CONDITIONS 1997-1, SEGREGATION OF DUTIES

Due to the small number of employees, some of the functions within the accounting system do not have adequate segregation of duties. This was also a finding in the prior years audit.

RECOMMENDATION:

Based on the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

RESPONSE:

No response is considered necessary.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs.

SECTION IV: MANAGEMENT LETTER

None.